

The Office of Research and Reports (ORR)

Summary

Early in 1950*, the National Security Council instructed the Central Intelligence Agency to survey the field of "Economic Intelligence". On the recommendation of the Director of Central Intelligence and with the concurrence of the Intelligence Advisory Committee the NSC, as a result, in June 1951** allotted to CIA the responsibility for coordinating economic intelligence and for producing certain of its elements as a service of common concern. The Office of Research and Reports assumed this responsibility within the Agency and undertook as its most urgent task to study the economy of the Soviet orbit and to fill the gaps in our knowledge about it.

Primarily through the Economic Intelligence Committee, whose duties were outlined by the Intelligence Advisory Committee***, ORR assumes the responsibility for coordination. It also continues two functions inherited from the former Office of Reports and Estimates -

- (1) It coordinates the program of the National Intelligence Survey and provides centralized geographical and map intelligence.
- (2) It furnishes support for other offices in CIA. ORR also monitors certain research projects undertaken for the benefit of CIA but not within it.

Analytical research in economic intelligence requires the application of techniques not hitherto fully employed. It involves the

* NSC Action 282 March 3, 1950

** NSCID15 June 22, 1951

*** IAC-D-22/1 May 29, 1951

abandonment of past practices in the collection and processing of raw intelligence and the expansion of the search for data over a far greater range of material than has hitherto been considered cogent. This is especially true with respect to the Soviet orbit.

Concepts and Achievements of ORR in 1951

The necessity for basic economic research became evident after World War II, particularly as a result of the survey of strategic-bombing. For example, proposed attacks on the manufacturing of ball-bearings had been studied chiefly with a view to their vulnerability as a physical target, rather than from a standpoint of the effect on industry in general if the supply of these vital elements of machinery were seriously curtailed. Consideration of the whole impact had been neglected - what stockpiles existed, what possible substitutes could be used, what armaments would suffer as a result of shortages?

The former Office of Research and Reports, prior to October 1950, had endeavored to cover some portion of the field of economic intelligence through a group of Consultants who were primarily advisers to various area divisions. Furthermore, about half of the Eastern Europe division was organized as an economic branch, and engaged especially in following economic activities within the Soviet orbit. But the establishment of ORR and its exclusive assignment, emphasized for the first time the vital importance of economic intelligence.

The transfer to the Office of Current Intelligence of the primary responsibility for immediate advices has permitted ORR to focus its endeavors on the search for every scrap of information, old or new, and from every possible source bearing on the fundamentals of a general economy.

The Functions of Economic Intelligence

In ORR's concept, the intelligence in foreign economics produced and correlated should serve these major purposes:

- (1) By evaluating the total economic resources on which military potential must depend in any but the briefest of campaigns, to estimate the magnitude of threats against us.
- (2) By discovery of the allocation of potential enemy resources, to estimate the character and point of launching of threats.
- (3) By a study of enemy economic vulnerabilities, to assist in estimating means of retaliation.
- (4) To assist in estimating rival potentialities, on the assumption that there will be no outbreak of war.

The ORR Mission

ORR is devoting its energies at present to the study of the economics of the Soviet Union and its satellites as representing the greatest potential threat to our national security. Approach of this problem through economic research is facilitated by two advantageous circumstances:

- (1) In its movement from political decisions to total and minute implementation, the militant materialism of the Soviet planned economy must inevitably radiate factual economic evidence which reflects those political decisions.
- (2) The unity throughout the world of industrial processes and economic relationships, provides a basis for supplying the answers to lacunae - what is so here may likewise be true elsewhere.

The engineer and the economist, one familiar with technical processes in this country and the other skilled in research, should gradually be able to solidify into fact what in many instances have up to now been only the gasses of apt conjecture.

Techniques of ORR Intelligence Production

These advantages to the gradual collection of intelligence on Soviet economics are more likely to bear fruit over a long term than immediately. Present circumstances have dictated a limited objective in production. Obstacles not easily overcome are the fragmentary nature of current information and the absence of earlier foundations on which to build. Current demands on ORR for support, preclude the opportunity to remedy the lack of intelligence which might have been systematically collected over these past many years. ORR must therefore constantly repeat a cycle of review and examination of available information, determine which are the most glaring gaps in the pattern of this information, and concentrate on closing them.

Such a course will contribute eventually to an understanding of the Soviet economy, qualified, though it must always be, by the relative weights of political and military factors.

Research Achievements in 1951

The first six months of 1951 were spent in making an inventory of what CIA knew about the Soviet economy, with emphasis on exposing what was not known and what primarily should be discovered about its capabilities. This resulted in the orderly accumulation of much information which had existed in many separate places in fragmentary units and it brought to light certain grave deficiencies in intelligence.

Considerable success was achieved in more nearly approximating the Soviet requirements for petroleum products and the availability of aviation fuel. In electronics the assembly and analysis of all available data confirmed a previous hunch that here the Soviet was relatively weak. In all the various economic fields, however, gaps appeared in varying degrees of importance. There were deficiencies in the vital field of construction (the largest single consumer of steel and labor in the U. S. economy) and in the mechanical engineering industries which support the production of munitions. A definite program for acquiring this information is not yet established. By the continuous method of successive approximations, it should be possible within the next year to narrow these fields and gradually to select certain segments of them for intensive study.

Coordination Activities

The Economic Intelligence Committee has been more fully treated in Section III Part 2 of this report under "Coordination". In brief this committee has begun to cope with the question of pooling information in the production of national intelligence estimates, and has proved itself already a useful instrument in securing among the intelligence agencies, cooperation in regard to specific problems, both as to their requirements and the means of satisfying them. ORR has also the responsibility for coordinating research on economics and certain other matters conducted by organizations outside governmental auspices. There has not yet been time to develop a program to siphon systematically the knowledge available in universities and in private industry. But a start has been made with a pilot project at the 25X1A
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25X1A The central purpose of this project is to combine what is known of the Soviet society from the scholarly viewpoint with the information necessary to governmental operations designed to exploit the vulnerabilities of the Soviet in the cold war.

Services of Common Concern

The program of the National Intelligence Survey established in 1948 by NSCID3 and taken over by ORR from its predecessor, involves coordination in planning and guiding a complex system of collecting intelligence among the governmental agencies. It also provides for extensive editing and review by ORR. Progress has been made in

establishing permanent staffs in the contributing agencies - in augmenting the capabilities of collection and general improvement in the effectiveness of interagency coordination. However, because of factors beyond the control of ORR or CIA it has not yet been possible to achieve the production desired. The outbreak of the Korean war almost brought to a stop NIS production by the agencies of the National Military Establishment and resulted in a considerable reduction in output by the Department of State. Only half of the production goals for the fiscal year 1951 was met. Current production also is running considerably behind the 1952 schedule. It is possible that the solution may lie in financial support of units in the IAC agencies by CIA such as it now provides for State and some other contributors of intelligence. This would be likely to insure continuity of NIS production and make more certain the ability to meet scheduled commitments.

The Geographic Division was transferred late in 1947 from the Department of State to ORR's predecessor. It has continued to maintain an extensive map-library reference service and it produces geographic intelligence of common interest to the agencies. In addition, its support activities include "location intelligence" such as that needed for studying the vulnerability of strategic foreign installations. A current project is the analysis of Soviet capabilities in the fields of mapping, aerial photography and geodesy. This division also is responsible for coordinating the "map and chart appraisal" of the NIS program and also for overseas arrangements to

collect maps and information on foreign areas from both foreign and domestic sources. The division has furnished graphic support to various offices within CIA. It is making a study of what additional geographic and cartographic support is required for the operational planning and field activities of CIA.

Support Activities

ORR has given time to a variety of operations throughout the year. These include export control under inter-departmental auspices and within CIA in support of the activities of OCI, OPC, and ONE. Whereas at the start ORR provided no support for ONE, it now supplies some, and in certain cases, the largest amount of information required for many of the National Estimates.

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Use of Consultants

Because of the impossibility of employing permanent personnel for each and every field of specialization and the need for drawing fully on every U. S. resource for the production of economic intelligence reports, ORR is utilizing consultants who are normally engaged in private affairs.

The problems of particular moment to ORR are detailed in a separate section of this report. Probably first in importance are the methods to be employed to collect in one spot the vast amount of

information that is now widely scattered. Second is the problem of access to operational knowledge the lack of which also plagues other offices in the Agency as well. Third, - not indigenous to ORR, but nevertheless a good deal of a headache, - is the need for speedier action in clearing incoming personnel, and for some reasonable method of utilizing those individuals who cannot be cleared. The final problem is the need for closer contact between the ORR analysts and the collection offices in the field.

Problems

1. Organization of Existing Information

Perhaps the greatest problem in the collection of intelligence is to determine what information is relevant and to sort it in such a way that it can readily be utilized. This problem is intensified by the vast amount of information concerning Soviet economy to be found at widely separated points. It is even more intensified by the peculiar complexity and inter-relationship of economic factors such as coal to iron ore, iron ore to steel, steel to armament. A modern economy must disclose concrete evidence which cannot fail to give an accurate picture of that economy if its fragments can be logically arranged. The difficulty lies in determining how all these various fragments, borne on an endless belt to the hopper of the national economy, are fused in the crucible and moulded into the finished product.

The American gift for mechanization has not yet caught up on a sufficient scale with the problem of amalgamating the component units which form the perfect intelligence estimate. The immense field of printed matter on Soviet economy existing not only in U. S. government files, but on the shelves of libraries, still remains relatively unexplored. The result is that it is not yet possible to bring to bear on a given problem all of the information which would be desirable for its complete solution.

2. The Necessity for Operational Knowledge

Operational knowledge presently withheld from ORR is necessary to it for two purposes:

- (1) That it may be on the alert for developments in the USSR analogous to those which have already occurred in the U. S.
- (2) That it may estimate more accurately Soviet potentials and vulnerability.

Modern economics involves a vast number of facets through which light must penetrate to reveal a comprehensive whole. In principle, therefore, every possible type of specialized knowledge should exist in an organization devoted to the understanding of what may seem to be unrelated phenomena. The rapidity of change in technical developments is now so rapid and becomes so increasingly weighed down by secrecy that it is difficult for an analyst to know what to look for in the foreign field without a parallel knowledge of domestic activity. Sometimes these developments have tremendous significance in terms of the use of new materials or new processes.

An example of this unhappy cloak of secrecy is the recent receipt by ORR of a request for information about Soviet production of Optol (Catechol). Normal domestic production (75 tons a year) is of trivial significance among tens of thousands of chemical products manufactured. It is physically impossible to keep up with every development in chemical products. Priority must be given to those known to be the most important. In this instance through an indirect and what might be termed "informal" source, it was learned that Optol is of paramount importance in the production of certain new U. S. weapons and may be a key to determining the extent of similar production in the USSR. It will be necessary, however, because the evidence of Soviet production is bound to be fragmentary, to have more quantitative and qualitative data from the military agency before ORR can make systematic inquiry successfully.

Exploration of Soviet strength and weakness by ORR demands a knowledge of similar domestic phases. Without it the condition of Soviet vulnerability (even if it should be apparent) cannot be properly recognized.

The history of Soviet atomic development is an excellent case. Had our collective intelligence agencies been aware of the economic factors in any one of several fields necessary to the production of atomic energy, it might have been relatively simple to estimate the dependence of the USSR on the U. S. for establishment of its own production. In the field of machine tools alone it might have been possible to take advantage of Soviet deficiencies by withholding

the tools and instruments the Soviet could not itself supply. It might have been possible even by covert measures to have misled the USSR into plunging into wasteful and useless endeavor to the sacrifice of other economic goals.

Again, so long as technical information on the development of U. S. weapons is withheld from other intelligence agencies, it is impossible to estimate accurately the harm that could be done to Soviet industry or to analyze correctly the effect on such vital matters as decentralization, stockpiling, and recuperation. These and other factors can become significant in intelligence only if implemented by the knowledge of what the U. S. could and would do. Many like them emphasize the unity of modern war and modern economy.

CIA's Role and Responsibility in Coordination

Coordination is particularly necessary in economic intelligence because its various phases are so diversified. The numerous agencies through which economic intelligence may be collected are each interested in a particular facet dear to their hearts and are inclined to disregard items of apparent triviality which may prove the keystone to the arch of complete information. NSCID-15 (June 22, 1951) makes CIA responsible for the coordination of foreign economic intelligence and for such production of it as is necessary to supplement the work of other agencies.

In anticipation of this Directive the Intelligence Advisory Committee established the Economic Intelligence Committee (IACD22/1 29 May 1951) comprised of representatives from the Departments of the Army, Navy, Air Force, State, the Joint Chiefs of Staff, and the Central Intelligence Agency. The representative from CIA, usually the Assistant Director in charge of ORR, acts as chairman. Other agencies may be invited to attend its meetings when matters of especial interest to them are likely to arise. Already some twenty agencies have so participated. The EIC itself is in process of forming sub-committees concerned with problems of Agriculture, Chemicals, Transportation, and others of seemingly diversified but actually of organic interest.

Though the chief task to which ORR is now devoted is concerned with the study of the Soviet economy, its duty to coordinate the

information produced by other intelligence agencies with respect to other areas, insures that little of interest to the national security shall fail to be recognized and correlated. The guide rule is to prevent duplication beyond the point where overlapping becomes undesirable. The EIC, therefore, is now conducting a survey of all work going forward in government agencies related to the Soviet economy, with a view to uncovering the most serious gaps in information and determining how best they can be filled.